

LETTERS TO A MILLIONAIRE

Letters to a millionaire, discussing his money and what it is doing to him and to us.

Why in the richest land in the world must one-fifth of the people live on public charity ?

Can we go on that way ? Or what can we do about it ?

How, without violence and hate, can we get plenty or security for all ?

Forty-five years of study have gone into the making of this book, as well as forty-five years of learning how to write.

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LETTERS TO A MILLIONAIRE

By

UPTON SINCLAIR

Author of
"The Jungle," "Oil," "Little Steel,"
etc.

LETTERS TO A MILLIONAIRE

LETTER I

MY DEAR JOE,—

Thirty-four years ago you told me to call you that, when you were helping me to see the insides of the Chicago stock-yards. A lot has happened to both of us since those days. I have a letter from a friend who tells me he has met you, and that you have made a million dollars, and are living in one of the play-spots of America, and own a yacht, and a lot of real estate, and part of a race-track. While you were making a million dollars, I have been making several million books. What causes me to write you this letter is that my friend offered you one of these books, and you refused to read it, because my ideas were not "practical."

It wasn't that way thirty-four years ago, I remember; you were much interested in a book I was proposing to write, to be called *The Jungle*. You then thought it "practical" to educate the workers of the stockyards, and help them get some increase in their pitiful wages, some weakening of the system of greed and graft which ruled their lives. You were eager to help me get inside the ugly old packing-houses. Unless I am mistaken, it was you who suggested that if I wore old clothes—I had no others—and carried a dinner-pail, and did not stop long in one place, no one

would interfere with me, and I might see whatever processes I chose.

Now you have a million dollars, and your interest in the fate of the working people has weakened. It occurs to me that since you won't read a book, I might tempt you with a letter. I am interested in the problem of a man with a million dollars, and others also will be interested. Of course not everyone has a million, but most would like to have it, and would find it pleasant to imagine they had it. What would they do with it, and what would it do with them?

Let me tell you a story, Joe. I knew an old gentleman who lived in the South, not far from you. He was one of the richest men in his state; he owned three great cotton plantations, and several beautiful homes; he was a retired judge, and president of two national banks, owning much stock of those banks. He had made his fortune himself, and had raised nine children to take care of it. If there was a man in the United States who thought he was safe, it was this old-style Southern gentleman, leading citizen of his town and man of scrupulous honour.

And yet, what happened to him? The banks closed their doors at the beginning of 1933, and under the federal law, the stockholders were liable to the depositors to twice the amount of the value of their stock. That took everything, and if the old gentleman died in his home, it was because the creditors waited politely before they took his property. At the age of eighty-six he died without a dollar to his name.

I know his story, because it happened that he was my father-in-law. He had read evil things about me and believed them, and twenty-five years ago, when his daughter

married me, he turned to the wall the beautiful oil painting of her which hung in his drawing-room. Sounds like a scene out of some old Southern romance ; yet it really happened. Later on he said : " I guess I overspoke myself." When he died, he had in his possession a cheque for a hundred dollars, signed by his son-in-law and sent by his daughter ; he had been too proud to cash it. He had lived for a couple of years on field-peas and tomatoes out of his garden, and had ceased to go anywhere because the tyres of his car were worn ragged.

That story ought to give you something to think about, Joe. I don't know how you fared during the last depression, but surely you must know that we got out of it solely by the use of government credit. And are we really out of it ? We have somewhere around ten or twelve million unemployed, and with their families that means about one-fifth of our people living on some form of public charity. Can we keep that up for ever ? And what will happen if we quit ? We tried two years ago, and you saw a thing that we politely called the " recession " ; it was, in actual fact, the fastest drop in business in our history, a veritable tailspin. We had to resume spending in a hurry.

It seems to me we are in the position of a man clinging to a rope over an abyss. The man is all right, so long as his arms hold out ; but can a man hang by his arms for ever ? Can government credit go on supporting private profits ? Won't the interest on the loans have to be paid ? Won't real taxation sooner or later have to begin ?

Yes, Joe, we are in a serious situation ; and the danger concerns the man with a million dollars exactly as much as the one who has nothing but a job between him and hunger. There are terrible forces loose in

at them working in Europe ! As one who has been studying these forces for more than forty years, I can tell you about them, and it will be the part of wisdom for you to give some thought to what I say.

LETTER II

DEAR JOE,—

If everybody had a million dollars everybody would be comfortable and happy. Is that so ? It won't take you long to figure out that if everybody had a million dollars your dollars would have little value ; nobody would work for you, and you would be uncomfortable and unhappy.

It is clear that the value of money depends upon the need of others. You have wealth, and they haven't, so you command their labour. This is a free country, of course, and if they don't like your orders, they may quit. But they have to work for somebody, and you can always find others to replace them. That is what is called " power."

How much have you ? They tell me you own part of a race-track ; a speculative business which brings high returns. But no doubt you have to pay money to politicians for what is called " protection." Also you pay a lot in income taxes. Let us assume that you have a net income of 6 per cent, or \$60,000 a year. Since the workers of America produce on the average \$1,000 a year each, you own the labour of 60 persons.

Being a prudent man, you don't set all those 60 persons at work to feed and clothe and amuse you ; you cause some of them to make goods which you can sell at a profit. Perhaps you put up an office building, and employ a janitor,

an elevator man, and so on. You "re-invest" your money. Normally, an American who is worth a million dollars this year is worth a million and 60,000 next year. Money if wisely handled grows at compound interest, and in the course of time it reaches astronomical figures.

I remember when this problem first took hold of my mind. In the year 1903 I was living in a shack in the woods near Princeton, New Jersey, writing a novel; I read an article in *McClure's Magazine* by a new writer called Lincoln Steffens, telling how some traction magnates bought the city council of Pittsburgh, and got for practically nothing a street railway franchise worth 30 million dollars. I wrote an *Open Letter to Lincoln Steffens*, inviting him to consider what that deal would mean to future generations. Get out your compound interest tables and figure it up: at 6 per cent per year, in 30 years the people of Pittsburgh would be paying interest and dividends, not on 30 million but on 130 million. Those 30 years have passed now, and five more; so the amount is 170 million.

Look at it this way, Joe. If you save your money at 6 per cent and hand your fortune on to your children, they will command the labour not of 60 persons but of 340. Your grandchildren will command nearly 2,000. In the course of a little more than two centuries the descendants and heirs of my friend Joe out of the Chicago stockyards will command the entire working population of the United States.

Of course that won't happen. Long before that the people will find themselves unable to pay interest on the swollen mass of capital. Interest rates will fall to zero and banks will be stuffed with money which cannot find investment. The mass of the people will not have purchasing power enough to furnish profits to the business men. In

other words, Joe, we shall be right where we have been since 1929 !

There is a maxim of science, that " the test of knowledge is the ability to predict." Not for purposes of self-praise, but in order to establish my credentials, let me quote you a few sentences from a book of mine, *The Industrial Republic*, published 32 years ago. Describing the conditions then existing, I wrote :

" One is at a great disadvantage just at present in picturing an industrial crisis. We are at the very flood-tide of prosperity ; the railroads are paralysed by the volume of the country's business ; coal mines cannot furnish the coal, and the farmers are burning their grain because they cannot get it to market. I have to ask the reader to picture the interest rates going down to zero, at a time when they are higher than they have been in a decade ; I have to ask him to picture too much of everything in the country at a time when there is not enough of anything."

Nevertheless, I insisted that a panic was on the way. " There will be two or three million—perhaps five or ten million—men out of work. They will have been out for a year or two, and have had plenty of time to work up excitement. They may have forced Congress to provide them some temporary employment—which will, of course, be the first taste of blood to the tiger. They will certainly have been waging strikes of violence never before known. . . . You will be utterly terrified at the state of affairs. Credit will be failing, and the business of the country will be holding its breath."

I anticipated this collapse very soon, but I added : " I do not predict it, because it depends upon uncertain factors. Another great war might put it off for 10 years." Wars,

you understand, postpone hard times by creating a sudden demand for goods. There had been a crisis starting in 1903, but it was put off by the Russo-Japanese war. Ten months after my prediction was published there came another smash. Yet another was on the way in 1914, when the World War began and put it off for 10 years. The really big depression began in 1929, and at the very outset I referred to it as "the permanent crisis."

Our orthodox economists and statesmen kept telling us week after week that prosperity was "just around the corner." You may find their utterances collected in a little book called *Oh, Yeah?*—and they make amusing reading. You note that we still have our 10 million unemployed, in spite of all the "lending and spending" through nine years. Our banks now have more than 47 billions of dollars on deposit, and the Federal Reserve Board reports that "the turnover is the slowest in American history." In other words, no profits in sight!

In view of the above, Joe, I enter my claim to be heard on the subject of what lies ahead of us.

LETTER III

DEAR JOE,—

The wealth of America is estimated at 300 billions of dollars. You agree with me that 6 per cent is an average expectation of income; so it appears that 18 billions a year has to go to capital before anybody else can get anything. If a farmer doesn't pay the interest on his mortgage he loses his land; if a corporation doesn't meet the interest on its bonds, it goes into the hands of a "receiver."

The income of the American people last year was about 60 billions ; so it appears that the people now have to pay a fixed charge of 30 per cent of everything they make before they can sit down to eat supper. According to Doane, *The Measurement of American Wealth*, my estimate is low ; interest, rent, and profits take nearly 44 per cent of our national income. The most striking fact about the great depression is the increase in the percentage of our total income which goes to pay interest. In 1929 the interest-takers were getting 9.63 per cent of our national income and in 1932 they got 14.62 per cent.

I have called our present trouble " the permanent crisis," and you ask me to explain in what respect it differs from all the others through which our country has passed. In the others, the interest-takers had to stand their losses, along with everybody else ; but this time we didn't dare to let the big fellows fail. It was bad enough to have the banks closing their doors ; what would have happened if the railroads had defaulted on their bonds ? The insurance companies would have gone under, because so large a share of their investments are in railroad securities. All the colleges would have had to close their doors for the same reason—and where would we have sent our sons for whom there were no jobs ?

President Hoover, who sees things from the business man's point of view, set up the Reconstruction Finance Corporation, and began shovelling out money to the banks, the railroads, the insurance companies, the big industries. Whoever among the big insiders needed cash had only to call Washington on the telephone and get it. A single banker in Chicago, active in politics, got 80 million dollars.

It was the theory of the business men that this money,

poured in at the top of the social structure, would filter down and appear in the form of wages and purchasing power. But it didn't; it went straight to the vaults of the big Wall Street banks, and stayed there. It served to enable the corporations to maintain high prices of products while the prices of stocks went from one crash to the next. I had a publisher friend in New York who couldn't believe that such a thing could happen. He speculated in steel, and got "cleaned out"—300 thousand dollars, he told me. He came to Hollywood to earn his living, and invited me to lunch. "Oh, Upton," said he, "how I wish I had some money! Just look where steel is!" I answered: "Who is going to buy steel?" I took my friend for a tour of the world and showed him all the nations; which one could buy steel from us? Six months later I met him again, and steel had taken another dive, but he had learned nothing; again he said: "Oh, how I wish I had some money, so that I could buy steel NOW!"

The failure of Mr. Hoover's reconstruction efforts, extending over a period of 40 months, seems to have been little understood by our propertied classes. The trouble with the country was that these classes had got too large a share of the country's property; and they thought that the remedy was to give them still more!

Mr. Roosevelt saw the obvious fact that the rich couldn't spend much money, and that if you wished to increase purchasing power, you had to give it to those who needed things. He began the so-called "pump-priming"; at the outset I said that it would have served his purpose as well to have men stand on the roofs of buildings in our cities, towns and villages, and scatter armfuls of silver dollars and greenbacks into the street. Any way whatever, so long as

some millions of people had cash to take to the corner grocery !

What is the process that has been going on for the past five years of the New Deal ? It sounds like a farce as I tell it, but it is a plain recital of fact. The government sells pieces of paper to the great banks, mostly Wall Street banks, they being in control of credit and investment. The banks pass the pieces of paper on to their clients, who hide them in safe-deposit boxes. The government, now having a credit account at the banks, passes it out in small cheques to WPA workers, to PWA and CCC and NYA and all the other alphabetical workers. These take the cheques to the chain groceries, which pass the credit on to the wholesalers and manufacturers, who pass it on to their banks. Since all banking business is now carried on by airmail, it is only a few days before the money is back in Wall Street, where it waits until the clamour of hungry people forces the government to go through the process again.

In other words, the business of America today is kept going by government subsidy, and would drop like a stone into a well if that support were withdrawn. The claims of capital are being met, interest and dividends are being paid, and the amount is being charged to the national debt. The tower of fixed capital charges goes on growing, higher and higher, and is kept from toppling into a heap by government props in the shape of promises. Obligations which are too big to be met now will be met in the future—when they have increased by an arithmetical progression !

LETTER IV

DEAR JOE,—

You ask me two questions. First, you want to know why I consider our present epoch so entirely different from any which has gone before. The answer is that the invention of machinery and improvement of technical processes have changed the face of the world. Wealth can now be produced with such speed and certainty that a third of our labour force has become superfluous, our machinery stands idle half the time, and there can never be any considerable market for new capital.

Second, you question my statement that the return of prosperity has ever been helped by wars. You say this seems to you a crazy statement; but it is a plain truth about a crazy system. War destroys goods and also workers, and the remaining workers are kept busy repairing the damage. We in America financed the World War, and after some adjustments were made we got a 10-year boom out of it. But our pleasure in the process was spoiled by the discovery that the debtor nations couldn't pay us the 11 billions we had loaned them. There wasn't enough gold in the whole world, and we couldn't take goods from them without ruining our own industry and throwing another 10 million workers into the streets.

So we now have a law providing that war-making nations which want goods from us must take them on a "cash and carry" basis. They are doing so, and we are furnishing raw materials for the great war of the Japanese, and the little wars of Hitler and Mussolini. It means that we are taking their gold reserves, one shipment after another. Already we have half the gold in the world, and another big war will bring us half the remainder.

With much hard labour this gold is dug out of the mountains of Alaska, South Africa, Siberia ; it is smelted, refined, and then shipped to Fort Knox, Kentucky, where it is buried in the ground again. This is supposed to keep it secure and safe. But what if the other nations of the world, having no gold, should say : " This metal is money, hereafter we exchange only goods." It seems to me, Joe, a colossal jest is being prepared, and we of the United States are the victims of it.

It is so hard for us to believe that the world is changing, but now it is changing so fast that years are equivalent to centuries. We are being driven by the giant force of modern technology ; the power process, which enables an individual holding a lever, to control more force than he could have controlled a century ago. Thus production is speeded up, wealth concentrated ; thus millions are thrown out of work and populations threatened with destruction.

Dispossessed men, striving to save themselves by crime or sedition ; dispossessed nations take to arms, wage wars and the bombing of women and children from the air. They start movements such as Fascism and Nazism. Do you think for a moment that these " have-nots " will consent to starve and perish for lack of the gold and iron of all metals ? Behold Germany today, forming a political union with the states of south-eastern Europe ! Her trading machinery, for oil which Mexico has drilled and confiscated wells ! It won't be more than a year before Hitler will be getting everything upon a gold basis, and without paying an ounce of gold.

Germany was ruined by the loss of the World War. The victorious nations sought to crush her under a mountain of debt. Her answer was to wipe out her

debt by drastic inflation, and then to repudiate her foreign debts. The result is that Germany is now using her giant productive machines at full capacity, and has no unemployed. The fact that the energies of the country are being turned to the ends of militarism does not alter the meaning of the economic lesson—that the debt structure crushes production, and that the wiping out of debts gives it a fresh start.

In the Soviet Union both domestic and foreign debts were wiped out at once by a revolution. Chaos resulted, and it suits us to blame that upon the revolution; overlooking the fact that Russia was a backward nation, broken by a long war, and wrecked by civil war and intervention. The Soviet Union was forced to do what no nation in history has done before or since, to industrialize itself out of its own substance, that is, without foreign loans. The feat was achieved, and now for many years the Soviet Union has had no unemployment, and has been increasing production at the rate of about 20 per cent a year. Its production is seven times that of the pre-war days of debt. Our own country, under the debt system, has never been able to increase production more than 3 per cent a year. Nine years ago we took a tumble and ever since have been striving in vain to climb back.

The so-called "democracies," Britain, France, and the United States, stagger under their colossal burdens of debt. The first production of the machines must go to pay interest, rent, and profits, with the result that further production is strangled. Thirty-two years ago, in *The Industrial Republic*, I showed how this caused most of the evils of our society. I compared the condition to an iron band riveted about the chest of a growing boy. "There would

come sooner or later a time when the boy would show symptoms of distress—and for every symptom there would be but one remedy. Is the boy cross and complaining? Break the band! Is he pale and sickly? Break the band! Does he gasp and cry out? Break the band!”

LETTER V

DEAR JOE,—

That a man who started life in the Chicago stockyards should make a million dollars and acquire a private yacht and other luxuries—that is what the world understands as “Americanism.” The world admires it; and I gather that you do so also.

There was a Swiss educator named Pestalozzi who wrote a charming fable which I am fond of quoting. The carp in a fishpond became troubled because of the greediness of the pike, and requested a conference to state their complaints; the pike came, and admitted the justice of the pleas, and proposed a remedy, as follows: that every year two carp should be permitted to become pike. You, Joe, as one of these self-made pike, are getting enjoyment out of your pikehood, and argue that the arrangement is stimulating to the energies of all the carp in our national fishpond.

The working out of this system of “rugged individualism” has brought it about that in our country a small class owns an enormous share of our wealth; the best figures I can get are that 2 per cent of our people own 60 per cent of our wealth. Even that gives but a part picture, because what counts is not so much ownership as control. Thirty years ago Lincoln Steffens said to me: “I’d rather control

the investing power of a 100 million dollars than own 10 million outright. I could make more out of it." The Wall Street banks, the insurance companies, the great corporations are enormous honey-pots ; their cash " reserves " are many billions, and this money is used to make or break other concerns, to manipulate stocks, to pull off market " coups."

In my book about William Fox, telling how a group of Wall Street insiders took away from him the industry he had spent his life in building, I have mentioned a concern called United Power and Light, which had a capitalization of half a billion, controlled by three shares of " voting stock " of a par value of \$3 each. It has been estimated by an accountant (Bernard J. Reis, *False Security*) that the directors of American big business own less than 5 per cent of the stock they control. A small number of men, not over 200, control the key industries of America : banks, railroads, telegraphs, telephones, iron, steel, coal, oil, power, machinery.

The result of this control is that the surplus wealth flows to one portion of the social body, and the masses of the people lose purchasing power ; they cannot buy the products of the mighty machines, so the machines cannot run, and so the corporations cannot make profits.

That is what is the matter with us at this moment, Joe ; a problem just as simple as that. So large a share of the income of the country goes to those who cannot spend it that it is not spent, and so consumption lags and goods pile up in warehouses ; that throws men out of work, which reduces consumption still further, and so the vicious circle is repeated.

President Roosevelt has explained this situation to the

people ; an important service, because education is the first step towards a change. But education by itself is useless ; words are not enough, good wishes are not enough. There has to be actual economic change ; the owners have to get less money while the workers get more. Thus it becomes important to understand exactly what lending-spending has done to correct the basic evil in our economic affairs.

In August of 1937 I published in *Liberty* an open letter to President Roosevelt, in which I estimated that under the New Deal wages had increased roughly 10 per cent, while the cost of living had increased 20 per cent, and profits had increased 50 per cent. The last part of this statement was challenged by the Los Angeles *Times*, so I looked up the figures from business sources. In *News Week*, November 7, 1936, I learned that nine major steel concerns which had lost \$131,000,000 in 1932 had made over \$39,000,000 in 1935, and in the first quarter of 1936 had made \$36,000,000. In *Business Week*, July 11, 1936, I found charts showing gains of American big industries from 1932 to 1935. I give a few samples, the figure standing for millions of dollars. Railroads, loss in 1932, 150, gain in 1935, 20. Leading automobile concerns, loss 20, gain 200. Steel and iron, loss 10, gain 20. Building and construction, loss 60, gain 60. Machinery, loss 150, gain 130.

Figures are tiresome, but in this matter they are crucial, and it is necessary to add a few concerning the enormous gains of 1936 over 1935. In *Business Week*, August 15, 1936, you may find percentages of business gains for the first half of that year over the first half of the previous year. The list begins : aircraft, 198 per cent ; apparel, 145 per cent ; automobiles, 81 per cent. Farther down the list comes railroad equipment, 1,255 per cent. The total gain

of all industries in one year is 57 per cent; if you count utilities, it is 61 per cent.

Just what does that mean, Joe? It can be stated in a sentence. In the effort to remedy the unequal distribution of wealth, the government borrows money, and distributes the borrowed money more unequally than ever before. President Roosevelt sets out to prime the pump, but only a little water gets into the pump; the rest spills over the side and runs back into the tank from which it was taken—the great Wall Street banks!

Let me add a set of facts which have just appeared in a U.S. Treasury Department report on corporation tax returns for that same year of 1936. It shows that nearly half a million corporations made returns: and did they all make profits? Almost 60 per cent of them reported losses. Among the lucky ones, how were the profits distributed? Figures for 1936 are not yet available, but in 1935 it was this way: 4 per cent of the companies got 84 per cent of the profits. See how the insiders have fixed themselves! And see how the profits are being channelled into one part of the social body!

LETTER VI

DEAR JOE,—

Thirty-four years ago I was wandering about the Chicago stockyards, looking into conditions, and you were helping me. I had the idea I was going to help the workers out of poverty; but I failed. The American people did not care about the wage-earners of the packing-plants; they cared only about doped and diseased meat. As I wrote

afterwards, I aimed at the public's heart and by accident I hit it in the stomach.

Thirty-four years have passed, and I am still trying to get people to face the facts as to poverty. Just the other day an old-fashioned American and old friend of mine published in the *New Republic* an article contrasting conditions in Soviet Russia with conditions in the United States as he fondly imagines them. William Allen White, editor and publisher of the *Emporia Gazette*, draws a picture of life as it is lived in a middle-class country town in the middle west. "An avenue of elm trees arches across the bluegrass lawn. And in the town 12,000 people are at work making what is commonly termed a good living." They will all have meat for dinner; and the 500 or 600 unemployed will all be taken care of and won't suffer being "branded by their clothes." He adds two amazing sentences: "Probably in the United States 110 or 115 million of our people are living about as our 12,000 are living. Our American experiment has succeeded in bringing comfort, some luxuries, to probably 85, certainly 80 per cent of the American people."

Consider now the report of a government-appointed "National Resources Committee" upon the division of income in the United States. This committee, composed of cabinet members, economists, and business men, issued what it calls "the most complete picture ever presented" of that situation. In the course of the investigation some 300,000 families were questioned in 30 states. Dealing with the relatively good years of 1935-36, it showed that \$60,000,000,000 had to be divided among 41 million family units and individuals; and that 32 per cent had incomes under \$750; 47 per cent under \$1,000; 69 per cent under \$1,500.

Will my old friend Bill White really maintain that a family anywhere in the United States can have "comfort, some luxuries," upon an income of \$750 a year? If it cannot, that reduces his "probably 85, certainly 80 per cent of the American people" to 68 per cent. Will he say that a family can have "comfort, some luxuries," on less than \$1,000 a year? If not, that reduces his "probably 85, certainly 80 per cent" to 53 per cent. If he claims that \$1,500 is enough, the reduction is brought to 31 per cent.

I took the trouble to figure what my wife and I spend upon our personal needs, as distinguished from what I spend upon the production and circulation of books and pamphlets. We live in a working-class neighbourhood in the suburbs of a small city, where the conditions are about the same as in Emporia, Kansas. We eat the simplest foods, and do not have meat more than once a day and often not that. We have not travelled anywhere in three years. Our "help" consists of a boy who comes twice a week and works mostly in the garden. My wife does not care for the movies, and I go only once a week. Yet our personal expenses come close to \$2,000 a year, and without counting any emergencies or any gadgets. Suppose we had two or three children, could we have "comfort, some luxuries" on that sum? Surely not; and so I say that less than 25 per cent of the American people enjoy what William Allen White claims for "probably 85, certainly 80 per cent."

And upon what terms do the lucky 25 per cent have it today? Solely under the condition that the financial credit of the United States government subsidizes their industrial system and furnishes its profits. Emporia is a railroad town. Well, many railroads of the United States are

bankrupt today, and only government lending is keeping them running. All towns in farming country are parasitic upon agriculture; and the agriculture of Kansas is kept going by government subsidies and by nothing else. The day that government borrowing and spending ceases, "comfort, some luxuries" cease for most of that lucky 25 per cent who have bluegrass lawns and elm-tree shade in the hot summers of America.

New Deal spending to date is figured at \$18,000,000,000. Roads and bridges, dams, schools and playgrounds have been built, an enormous mass of useful work; but nobody knowing WPA work would maintain that it has been as efficient as private industry, and a lot of the work has been hurried and botched. A contractor friend of mine estimates that two-thirds of it is waste. And certainly, so far as concerns a permanent solution of the problem of unemployment, the result is a total zero. We have 10 or 12 million out of work and no remedy even talked about. Harry Hopkins, relief administrator, tells Congress that we have to figure on having these unemployed for 20 years; nor does he give us any idea what is going to happen then to change matters. Our national debt, which was less than \$1,000,000,000 in 1913, is now close to 39 billions. If we spend three billions a year for 20 years it will be 99 billions, and the interest will be 3 billions a year.

And note that I have not even mentioned the farm problem. Our people haven't the money to buy the food which our farmers produce; so we have spent 3 billions upon various kinds of farm subsidies, and Secretary Wallace has just admitted that we haven't found the solution. And then the railroads and the steamships, also surviving on government bounty, clamouring for more. I could list a

schools and the College of the City of New York ; I have received from my country the blessings of peace and freedom, so that I could use my education to advantage. I repay that debt by using my mental powers to discover the truth about the causes of poverty, and to speak that truth without fear.

I say that you, Joe, also owe a debt to society. You have leisure and power. Perhaps you will say that you won it yourself, and thanks to nobody ; but you will be making a mistake, for surely you did not make the culture into which you were born, and if other men had not worked and struggled and sacrificed, there would never have existed the arts and sciences and technology which make your life a pleasant one. If you let our country drift into chaos, you may learn too late that civilization does not build itself, nor maintain itself, and your life may end in circumstances far less agreeable. Contemplate the fate of the old aristocracy of Russia, that was so sure of its position !

You ask me : suppose we want to do something rational, and bring about the necessary changes in a peaceable and orderly fashion, just what will we do ? First, let us get clear the fact that the evil we confront is an economic one, and the remedy must be an economic remedy. Education, science, democracy, Christianity, love, brotherhood, kindness, sympathy, peace—all such moral and intellectual things are excellent, and all are helpful to the process ; but all are useless if we rely upon them alone. What is wrong with America is our system of distributing wealth, and until we have changed that, we have done nothing.

If I refer to our present system as capitalism, you will say : “ Ah, yes, a Socialist ! ” A train of mental gunpowder will be set off—“ Utopian—dreamer—impractical ”

. . . and so on. If I speak of the "profit system" you will say: "Ah, yes, he's a Socialist, but he's trying to hide it!" Well, we have to use some words, Joe. Suppose we say "rugged individualism." That is a phrase with pleasant associations; you think of a great engineer, a master mind, understanding business and finance—a self-made man, a millionaire like yourself. So let Mr. Herbert Hoover give us our name.

Under our system of rugged individualism the natural resources of the country, the things we all have to have if we are to exist, have been thrown out as it were into an arena, to be scrambled for and grabbed by the strongest. We have lived under that system for a long time, and have been satisfied, because our collective minds were not equal to the task of imagining a better one. But here the system is breaking down before our eyes. As I have shown you, it has completely failed so far as concerns one-fifth of our people; they are economic outcasts, existing only upon public charity, which is demoralizing to them, and financially ruinous to the rest of us. Another two-fifths can no longer get the essentials of a decent living. As for the remaining two-fifths, they get money, but the moral hardships increase daily; competition becomes more ruthless, life more difficult, more confusing, more disappointing, less secure. Look at Europe at this moment of the dismemberment of Czechoslovakia; if there is a man or woman who is not sickened and appalled, it is only for the reason that a cow isn't.

The plain fact is, Joe, that our economic affairs have become too complicated to be left to the operation of blind chance. We have parted from the simple world of our forefathers, and have built dynamos and automatic machines,

telegraphs, radios, airplanes. No one of these things will run itself; we would think it madness to start a train without a schedule, we would never send a great air-liner aloft without training the pilot. But we do something a million times more mad when we turn our financial and industrial system loose, fondly imagining that somehow its gigantic forces will work together for order and progress. They don't, Joe; they work for confusion, destruction, despair.

What I am writing about is a "planned economy." Another phrase which you mention with distrust! I am sorry, but we have to use some words, and it happens that the forces which now rule us see to it that no matter what polite and careful and scientific names we adopt, a cloud of ridicule and suspicion is cast upon them. All I can say is, if we in America do not very soon begin to plan our economy, to plan it really and intelligently, the planless forces of greed and hatred and fear will take us back into the planless days of barbarism.

LETTER VIII

DEAR JOE,—

If I am correct in my understanding of what is going on in the world, you are going to have to make up your mind to a great reduction in the value of your million dollars. Irresistible economic forces are compelling this. I repeat what I have said, that men who have money and power can choose either to help or to hinder; thus you will decide whether the change shall come in a peaceable and orderly way, or suddenly and with violence.

Not a day passes that the mail does not bring me a book, a pamphlet, or a letter outlining a plan for ending poverty. Sometimes they come in the form of earnest men and women, mostly elderly, always eager, talking fast, so as to get it all said before I cut them off. Generally it is a "money plan"; the lack of money is what torments most people, so the first thought that comes to their minds is, why doesn't the government print more, so that folks like me can buy the food which the farmers have produced and cannot sell? This seems so obvious, that if you don't agree with the money reformers they think there must be something cold and cruel in you—you don't *want* them to have what they need!

In the EPIC Plan I launched five years ago in California, we promised pensions of \$50 a month to citizens over 60, proposing to raise the money in part by state income and inheritance taxes, and in part out of the savings to be made by putting the unemployed at productive labour for themselves. I talked this pension programme all over the State, including Long Beach, and a physician of that city made note of the applause. He went off and thought it over. If \$50 got that much applause, \$200 ought to get four times as much; the increased spending would put everybody to work, and the money could be raised by a three per cent tax on all transactions, which nobody would mind.

So came the Townsend Plan; and very soon at our EPIC meetings old folk would rise up and ask what I thought of it. I told them the "transactions tax" would cancel all the benefits which the pension was expected to confer; that consuming power would not be increased a dollar; we would merely be taking money out of our right-hand pockets and putting it into our left-hand pockets.

So Dr. Townsend's old folks said I was a Communist and an Atheist, and did not vote for me ; so I was not elected governor of California, but am still alive to write letters to you, Joe.

Unemployment and suffering have continued undiminished in our State, and now, as I write, a new scheme has been luring the old people. This time it is the "Ham and Eggs" plan, or "Thirty Dollars Every Thursday"; the payments are to be made in state warrants, and the financing is to be done by means of two-cent stamps which are to be affixed to the warrants, one every Thursday for a year, after which the State will redeem the warrants in cash. You would expect anybody to see in a moment that in the long run this will not increase purchasing power, but on the contrary will reduce it slightly, since the consuming public will be taxed \$1.04 for every dollar warrant. The old folks, of course, expect to hurry and spend their warrants, and put off on somebody else the job of affixing stamps.

But that is the problem ; will the other fellow consent to take such a burden ? Will the merchant who has the goods take the warrants instead of money ? Will the wholesaler take them from the merchant ? Very certainly the out-of-state manufacturer will not touch them, and how then can manufacturers in the state pay for raw materials outside ? Thirty warrants every week means in the course of a year 1,560 warrants, and each has to have 52 stamps in the course of its career, which means a total of 81,120 for each pensioner. The best estimate of the number eligible for the pension is 811,000, so it appears that in the course of a year the people of California are invited to stick a total of 65,778,320,000 stamps, or two stamps per hour, day and night, for every adult person in our State !

Eight hundred thousand California voters signed the initiative petitions for this plan, and that shows you the desperation to which they have been brought. Unless we do something rational, we will surely have some form of "funny money" forced upon us. The people have a real grievance against our national banking system, and before we can consider any plan, we have to understand the part our banking system has played in bringing on the crisis and keeping us in it. I have to write you a separate letter about that; because that is where our first remedies are to be applied.

LETTER IX

DEAR JOE,—

Three or four years ago we were on the gold standard; but the other great nations got off, and the effort to meet our debts in gold threatened to bankrupt our government. We announced that there would be no more gold payments, required that all gold be turned over to the government, and deprived the dollar of one-third of its value. The financial moralists called this procedure confiscation, a swindle, a national disgrace; and maybe they were right. The justices of the United States Supreme Court faced the fact that if they held to the Constitution they would break the government. By five to four they voted that the government was more important.

There are some "silver certificates" in circulation, but most of our paper money is now just promises to pay dollars; that is to say, if you don't like the dollars you have, you can go to the treasury and exchange them for others. The

government prints these bills for the private banks, and permits the banks to lend its customers \$10 for each dollar bill the bank holds. These banks call themselves "national," but they are not that in any way ; they are private institutions making profits. By means of this money-issuing privilege they have erected an enormous structure of credit ; and remember, Joe, a credit-structure is also a debt-structure—depending entirely upon whether the person who describes it is an optimist or a pessimist ! The credit-structure which makes our bankers so happy is the same debt-structure which is strangling production and driving our country into inflation and bankruptcy. Thirteen years ago, in a pamphlet called *Letters to Judd*, I wrote : " The American banking system is the most perfect contrivance yet devised by the human brain for making the rich richer and the poor poorer." In the year 1925 the National City Bank of New York earned 140 per cent on its capital stock, and its shares of a par value of \$100 were selling at \$2,950. According to the *Financial Age*, a Wall Street paper, 49 New York banks averaged 50 per cent dividends in that year. So we got our panic and our depression.

Now suppose that we should establish a real " national " bank, instead of the fraudulently called ones which we have. Suppose the issuing of money became a government function, and the government assumed control of all credit. Just as the gardener chops out weeds and puts in good seed ; just as he lops off rotten branches and covers fruit with paper bags to keep the flies away—so the government might hinder those institutions which are wrecking the country, and foster those which make for prosperity and security. If you shudder at the idea of giving such powers to the government, let me say that the government of the United States

is you and me expressing our collective will ; if it isn't that, it is up to us to get busy and make it that.

Suppose our government should start to print paper money and spend it to promote the general welfare, what would happen ? Inflation, every banker would answer at once. But I say it would depend upon where the paper money went. Some ways of spending new money are inflationary and some are not. Does the spending cause new production, and of amount equal to the spending ? If so, there is no inflation. The price level is a pair of scales, with goods in one pan and money in the other ; add any amount of new money to one pan, add an equal amount of goods to the other pan, and your balance will not stir.

Under the law as it now stands President Roosevelt has the authority to print and put into circulation \$3,000,000,000 worth of new greenbacks. He has never used that power, for precisely the reason that he fears inflation ; merely to begin would look like inflation, and the speculative effect would be inflationary. But suppose the President were to spend the money to break some monopoly and make cheap goods available to the people ? Would that be inflation ? The answer is that it would do more to restore prosperity than any step yet taken by the New Deal.

There is nobody writing on current problems who has more dread of real inflation than myself. It is to the social body what the use of drugs or alcohol is to the physical body. It is easy to begin, and once you have begun it is almost impossible to stop. " For wide is the gate and broad is the way that leadeth to destruction, and many there be who go in thereat." The nations which have gone in thereat have discovered that the end is Fascism,

the worst form of "destruction" which has appeared in modern affairs.

There can be no question that our country is travelling on that broad way. We are accustoming one-fifth of our population to public charity as a way of life. We are teaching them to demand it as a right, and to increase their demands day by day, and to put pressure upon the politicians to grant the demands. We are running a huge annual deficit and piling up public debts—fooling ourselves by calling some of them loans, although you know and I know that they cannot be repaid. The government is taking up all the burdens which private industry can no longer carry; sooner or later the last straw will break the camel's back, and we shall have to start printing money to meet the ordinary expenses of government. That will be real inflation, and the consequences may be all the calamities which we have witnessed in Italy and Germany.

LETTER X

DEAR JOE,—

A little over four years ago I had the pleasure of spending a couple of hours with President Roosevelt at his home in Hyde Park, discussing the problems which have been my life's concern. I wanted to persuade him to endorse the programme of putting the unemployed at productive labour, creating those things they themselves were going to consume. I pointed out that not merely would this take them permanently off the backs of the taxpayers, but it would take them off the labour market and so cause wages to rise—the only way this could be done under the present system. A part of our talk ran as follows :

"If you mean to keep business on its feet, Mr. President, you will have to give the people not less than \$3,000,000,000 of new purchasing power every year."

"My advisers tell me it will have to be \$5,000,000,000 a year."

"Very well; in four years that will be \$20,000,000,000. The experience of our California self-help and barter groups has shown that an investment of \$1,000 in a co-operative enables a man to produce the necessities of one family. If you would put two years' spending into land and tools for the use of co-operatives under government supervision, you would make all the unemployed self-sustaining, and the problem would be solved for ever."

President Roosevelt did not adopt this plan, but on the contrary allowed his officials to sabotage and practically destroy the excellent self-help groups which the unemployed had started for themselves. There is, of course, bitter opposition on the part of business men to letting the unemployed produce anything; it pleases the manufacturers better to have the government give money to the unemployed and let them come to the regular stores and buy. Also it may be that relief officials are not indifferent to the fact that when the unemployed get machinery and become self-supporting, there are fewer arm-chair jobs for bureaucrats. Whatever the reason, the California self-help groups were starved out, by methods which I have portrayed in my novel, *Co-op*.

Thus conditions in my home State remain what they were in September, 1934, when my conference with President Roosevelt took place. The unemployed are just as numerous, and the suffering just as great. Eighteen billion dollars have been spent, and 10 million unemployed have increased

and produce the things they wanted. Of course they wasted a lot of time arguing, but at the same time they were learning what could be done, and they were training leaders whom they could trust.

Now all that is gone, and what have we? A million or two persons being made into chiselers and grafters as fast as institutions can do it. If there is any decency or self-respect left in their hearts, it is because they are naturally too good for the politicians to ruin. I know of one family, average well-behaved Americans who once owned a small business and a home, and who now are "on relief," and spend their time devising schemes to get as much as possible out of the government. Since the New Deal began, the Joneses have managed to get a total of \$7,000, and they have lived in several houses which had been taken over by the government because the former owners could not meet government loans. These Joneses cannot meet anything, but they get relief money and "buy" a home, and when they can't make the payments they are moved out; then, since they have to be somewhere, they get more money to "buy" another home.

Anyone in touch with events today can tell such stories. And what do we propose to do about it? I listen to opponents of the New Deal and so long as they are denouncing it, they are convincing; but when it comes to putting something in its place, they fall silent, or trail off into phrases which have to do with psychology instead of economics. Two or three years ago I debated with Congressman Hamilton Fish in five cities, Los Angeles, Chicago, New York, Albany, Boston. Five times I called for his remedy, and five times he answered: "Restore confidence." Each time I replied: "Didn't we have confidence in

Hoover?" The crowd roared; for they knew, as you do, Joe, that President Hoover was the business man's man. We trusted him completely, but still the depression came! We gave him 40 months in which to stop it, but it got worse the entire time, and ended in complete paralysis.

LETTER XI

DEAR JOE,—

If I am correct in my analysis, we are watching the breakdown of the system of producing goods for private profit, and the coming of a new system, public ownership of the means of production. Most people are frightened by this change and shrink from it; they prefer to walk backwards into the future, keeping their eyes upon the past. But if the change is to take place with any sort of order, it is necessary that at least a guiding few shall know where we are going.

The owners of great wealth have been taught to believe in wealth. They naturally cling to the system which gives them distinction and power. They employ politicians and editors, college professors and radio orators, to tell the people that it is the only possible system, and that those who talk about other systems are "crackpots" and "dreamers." This introduces confusion into the public mind, but it does keep the debt-structure from toppling.

In the effort to get it on its feet again, the business doctors administer what we may call money transfusions. Use the government credit—the only big credit that is left—to borrow money, and give it to banks, railroads, steamships, manufacturers, farmers, veterans, unemployed, old people,

young people—anybody who will spend it, and so provide more profits for the collapsed patient. After the borrowing stage comes the printing stage; and the end of that we saw in Germany, where they printed notes for 10,000,000 marks, and you bought a loaf of bread early in the morning because if you waited until afternoon the price would be double.

In our country, in the spring of 1933, all the banks had to be closed, to keep from having to admit that they were bankrupt. In that emergency, President Roosevelt might have taken them over and made them into a government system; the people would have stood by him. But he lacked the courage, or the economic understanding; he gave these private institutions government credit, and backed them with government insurance, and they now have in their vaults 47 billions of the people's money which neither the bankers nor their clients can find any way to invest.

Sooner or later will come the next crash, and there will not be enough government funds for banks, railroads, steamships, farmers, and the rest. If the railroads stop running, the people of New York will starve in a week or two; therefore the government will be forced to take the railroads and run them. The telephone companies will be broke, because the people are cutting out their phones, as they were doing in 1932; so the government will have to run the telephone system. It will be the same with all the vital services.

Imagine for a moment that the government starts to furnish railroad transportation at cost. What happens? Well, right away comes a howl from the bus lines and trucking concerns—the government is ruining them. That

is a peculiarity of our present system, it is woven into one piece, like a knitted sleeve, and if you cut it anywhere the whole thing begins to unravel. There is nothing that can be done to help the people that does not interfere with the profits of those who are exploiting that line of activity. If you say, let's go ahead anyhow, you make the discovery that the bonds of the exploiting concern are in the vaults of banks and life insurance companies, and there is danger of a panic.

That is why it is always so hard to remedy any evil within the profit system. That is why the EPIC plan was not allowed to be tried in California; the masters were not afraid that it might fail, but that it might succeed; if the unemployed got tools in their hands, and began making plenty for themselves, it would be a dangerous example for the millions of the employed, one-third of whom were expected to live on \$750 a year or less! That is why one "liberal" or "progressive" effort after another has turned out to be nothing but generous words. That is why the New Deal, which has used so many generous words in a dozen fireside chats, has increased wages by only a minute percentage, while allowing our big corporations to add 61 per cent to their gains in one single year.

But a change has to come, Joe! Colossal economic forces are breaking the back of the old system. Our only choice is whether we will build a new system while we have time, or wait till the last moment, and do it amid confusion and violence, risking civil war and the loss of our system of self-government. Surely no sane man wants this!

We are witnessing the birth of a new industrial order, and it is something very similar to a childbirth, with which we are familiar. The symptoms are obvious, but few of our

doctors are willing to recognize them; public opinion is controlled by medicine-men who insist that it is just a case of indigestion, some flatulence and gas pains, and that the fellows who say it is a childbirth are offensive and indecent, and ought to be shut up as disturbers of the peace.

LETTER XII

DEAR JOE,—

I am now going to write you one entirely constructive letter. I shall assume that we are both intelligent men, and that many of those who control our industry and finance are the same, and will admit that public ownership of the basic industries has to be brought about, and that it should be done in an orderly and peaceable manner. How do we begin?

First of all we must declare that the business of borrowing—spending shall end. Piling up public debts is simply putting off our trouble on future generations, which obviously will not be able to pay. The plain implication of our huge-scale public borrowing is that the debts are to be wiped out by inflation. “After us the deluge,” said King Louis of France; but we citizens of America are going to act more rationally.

Let us assume that we have converted President Roosevelt, and he proceeds to use the authority which he already has from Congress to print \$3,000,000,000 of new greenbacks. When he has them, he will follow the example of every thrifty American—not give them away, nor spend them in riotous living, but invest them in productive property.

What will he buy? I suggest the railroads, because they are now in desperate straits, and are threatening to cut wages, a ruinous procedure when we need increased purchasing power. Manifestly we cannot get along without railroads; and manifestly the thing which they produce can be improved and cheapened to the benefit of all the people. Our railroads are estimated to be worth \$25,000,000,000; of course they didn't cost that, a great part of their stocks and bonds is water; but let's not haggle about prices, let's pay the market price, making a down payment of, say, one billion in cash, and giving bonds for the rest. We are going to get industry started again, and do it quickly; the new money will be purchasing power, and a lot of the small investors will use their cash to buy things which have to be shipped on railroads.

We put the property in the hands of a board composed of several railroad men, representatives of both labour and management—not financiers, but those who are actually running cars and hauling freight. Since we have purchased the stocks and no longer have to pay dividends, we make an immediate cut in freight rates, and announce further cuts to follow. The country starts to hope again.

Next we tackle a big monopoly. You have referred to Alcoa, the aluminium monopoly; you admit that it has grown fat upon public favours, bribery and legal chicanery. In one year, 1923, it paid dividends of 1,000 per cent on its original investment. We now make an offer to buy the stock at the physical value of the properties. If that is refused, we go after the monopoly by prosecution under the anti-trust laws, and also by real competition, using Government power. Sooner or later the government will hand a bunch of its nice new 10,000 dollar bills, carefully counted,

is to make sure that as we are printing money we are also producing more and cheaper transportation, power, steel, oil, coal, and ores. Why not try it for one year? It would take us that long to make plans for the following years.

"Restore confidence," say Mr. Hoover and Mr. Fish; and you write that you agree with them. By all means, Joe; but the confidence has to be in something real. The one thing we can all be sure of is the ability of the producing plant of our country to turn out goods. Promise the people an abundance of cheap materials, high wages, and unlimited work—and watch them go to it!

There is really only one question: Have we the intelligence to do this? I answer: God grant that we have—and God help us if we haven't!

LETTER XIII

DEAR JOE,—

I see from your letter that you are still not quite clear in your mind as to the difference between production for profit and production for use. Why do things which are impossible under the former become so easy under the latter? It is a vital point, so let me repeat that production for profit is bound by the limitations of the market; it can be done only for those who have money to pay—a rapidly diminishing class. But production for use is bound by nothing but the willingness of those who want wealth to work. With modern machinery and technique, there would be the limit. We Americans have never realized this, so the calculations of our best engineers are like "dreams."

You have looked up the amount of money now in circulation in our country and found that it is about \$7,000,000,000, and you argue that if the government were to put \$10,000,000,000 of new paper money into circulation, prices would be more than doubled. You overlook the fact that only about 1 per cent of our business is done with cash; the rest is done by notes, bills of exchange, and cheques, the last being a kind of paper money based on bank credit. The bank clearings in New York City alone are around \$200,000,000,000 a year; so it appears that we have huge amounts of circulating medium, and our new paper money would represent a very small increase.

President Roosevelt has borrowed and spent \$18,000,000,000 on his New Deal. Before he borrowed it, this money was lying idle in the banks, and when he handed it out in government pay-cheques, it was certainly increasing the circulating medium. But did it cause inflation? Very little. The reason has already been explained, that it brought a corresponding increase in production. Before the New Deal, our national income had sunk to \$40,000,000,000; now it is above 60, perhaps 65. Ten billions per year of new money, invested in means of production, would prove an even greater stimulus.

So I say that we do not have to worry about paper money that is used to buy the natural resources and the producing machinery of our country. Some modern machinery turns out goods so fast that, operated day and night, it would pay for itself in a year or two. Certainly no one can doubt that Boulder dam, Morris dam, Grand Coulee dam, will pay for themselves many times in the course of the years. Why not buy out the Power Trust, that has been corrupting our public life for a generation, and pour cheap power into

the cities and set the wheels of industry to humming? The answer is a perfectly simple one: the Power Trust magnates won't let us. They won't even let us think straight about the matter. They take our own money, which we pay them for the use of power, and hire newspapers and college professors to muddle our thinking, calling us "crackpots" because we defend the public interest.

You ask, sceptically, do I want government ownership of the whole industry? I answer, let's begin with the basic things and show what can be done; then we will know more than we know now, and will be in a better position to judge how small industry ought to be carried on. My guess is that if you give the American workers full time at high wages, they will educate themselves, form co-operatives, and buy machinery. That is the way I personally would like to see our work done; that being the democratic and free way.

There are certain industries which from their nature have to be co-ordinated; and others which do not. We have many public school systems, each community running its own; and that is well. But we have only one post office, also one telephone system. I say it is a disgrace that the latter should not be a public service. I say we ought to have one power system, one railroad system, one steel, one oil industry, all publicly owned and operated. If we hadn't passed foolish laws trying to block the evolution of capitalism, big business would have done the consolidating for us, and it would now be merely a question of buying out a few trusts.

For 35 years I have been urging that we should buy the properties and not confiscate them; for the latter means class conflict, and perhaps civil war, and would cost us

many times the price. I advocated paying with government bonds, and afterwards putting income and inheritance taxes on the bonds. That method may be used in part; but having given more and more thought to the money question, I am less troubled by the fears of the "sound money" advocates. I tell the people to put their faith in our national powers of production, so marvellously increased in the last two decades.

Mr. Herbert Hoover, as you well know, is no Socialist. When he was Secretary of Commerce he appointed a "Committee on Waste in Industry," which studied our industrial system and brought in a report showing the amount of waste going on, and it ran from 28 per cent in the metal trades to 63 per cent in men's clothing. A planned economy would eliminate all of this, and many other kinds which are overlooked by believers in the profit system. In buying the big trusts, we should come into possession of a mass of inventions which these concerns have bought up and entirely suppressed for reasons of profit.

The modern corporation is one of our inventions, and all we have to do is to purchase it and run it for the public benefit. Get rid of the absentee owners by means of new 10,000 dollar bills. Put off the boards of directors those men who represent finance and speculation. Retain the technicians and the managing staff, paying their present high salaries—for there will be plenty of production, and we don't have to worry about chicken-feed. There need not be a day's interruption of production; just the speaking of one magical phrase: Full speed ahead! Our steel plants will make all the steel they can, because our public automobile plants will make all the cars they can, because our workers, getting full pay, will ditch the old jalopies.

So things will move, all the way down the line. The iron band will be taken off the boy's chest, and he will be able to expand his lungs for the first time since he was an infant. Having given most of my thinking life to these questions, I endorse the statement of the technocrats, that by two or three hours work per day every family in the United States will be able to earn \$5,000 a year.

LETTER XIV

DEAR JOE,—

So far I have been dealing almost entirely with the problems of our own country ; but my task cannot be completed without a look at the rest of the world. I have been going on the assumption that we shall be left at peace for the next few years—but this, alas, is far from certain.

The modern system of business for profit is one throughout the world today. We get our coffee from Brazil, our diamonds from South Africa, our silk from Japan ; we have an international system of exchange—and also an international system of protest against the evils piled up by the debt-structure. In my book, *The Industrial Republic*, published early in 1907, I foretold our war with Germany, and when it would come. I compared the Socialist vote of Germany to the mercury in a thermometer, which would break the bulb when it got a little higher. I said that the ruling classes of Germany would start a war rather than permit the Socialists to capture the Reichstag. And they did.

Germany was beaten, and deprived of her mineral resources and colonies. The "clean peace" which I advo-

cated in my war-time magazine was betrayed at Versailles, and since then there has been no peace, but preparations for the next war. Another result of the World War was that the Russian workers overthrew their Czar and then their capitalists, and set up the first workers' government in history, covering one-sixth of the earth's surface. To the private owners of the rest of the world the Soviet Union has been a 21 years' nightmare. First they waged war upon it—we joining in, and provoking the first mutiny in the American army, a story pretty well suppressed. The next effort was to starve the Soviets out, but they succeeded in industrializing their country. We don't get many facts about them, unless we make a special effort; but one fact suffices—that by their planned economy they have multiplied by seven the 1913 production of Russia.

After the war the Socialists were tame, and the menace became Communists. They took Bavaria and were put down by force. They took Hungary, and were starved out by American relief funds; Mr. Hoover's agent came home and proclaimed in the *World's Work* what he had done. Then came uprisings in Italy, and Mussolini, a renegade Socialist, got a subsidy from the Italian steel-masters, and formed a private army in the fashion made familiar to us by Henry Ford, Little Steel, Remington-Rand, and many others. Mussolini went to the American ambassador and inquired if he captured Rome would he get an American loan; he got \$200,000,000 through the Morgans, and our ambassador, Richard Washburn Child, came home and boasted about that.

The path had been made for Hitler, he had only to adopt Mussolini's programme. He got his money from the steel and munitions kings of Germany, and seized the country

France afraid of the dictators? Their newspapers hinted that they were; but military men know that the British and French navies could have wiped out Mussolini's navy, and that the two nations with the help of Russia could have starved Hitler out in a year.

But what would come after Hitler? And what after Mussolini? There's the rub! Victory in such a war might mean a "Red" victory, and the Russian Soviet system might have swept the whole of central Europe. That was what terrified the British Tories and the French financiers. Class has become more than country to these gentlemen, just as it has to many in America.

What they want is to see Germany and Japan attack the Soviet Union. There's the war they would love to watch, and they would finance it generously, and expect our help—and maybe get it. But things may work out otherwise. Japan, drunk with triumph in China, now menaces Britain's billion dollars in Hong Kong, and also Germany's trade with China; so we may see Britain and Germany combine to put down the "Yellow Peril," favourite bugaboo of the former Kaiser. No one can be sure what we shall see; but I miss my guess unless the dictators have their way in Spain, and unless they soon attempt the same Fascist coup in France. There again the gentlemen to whom class is more than country may show their power. If they succeed, we shall see a completely Fascist Europe, ready to plunder the British Empire and then start on South America. That is where we come in—on account of the Monroe Doctrine and the Panama Canal.

One thing and one only we can be sure of today: that all the nations are going on arming to the limit of their powers. Last year they spent \$17,000,000,000, five times

what they were spending six years ago. We ourselves are spending over \$1,000,000,000 this year, and it is a reasonable guess that President Roosevelt will ask Congress to double it next year. Aeroplanes have made the whole world one, in a new and most terrible sense.

The ancient Romans used to say, Woe to the conquered. Now it is woe to the victors also—and it is apt to be Bolshevism to both! So you see, Joe, why I am pleading hard with Americans to end our class conflicts in an orderly and rational way.

LETTER XV

DEAR JOE,—

You indicate in your arguments that you are more impressed by what I say about the dangers to democracy all over the world, than you are by my economic views. But I am trying to show you how these two things hang together. One cannot understand what is going on anywhere today unless he knows the economic forces which are driving behind both capitalists and workers, and compelling them to act as they do.

Every modern nation produces a surplus which its own workers cannot buy, because the competitive wage system does not give them enough money. Each nation is driven to seek foreign trade, as a means of keeping its people employed and staving off a revolution. So each nation comes into rivalry with others; and since there is no law and order in the world, each has to arm to protect its trade and colonies—its chances to exploit weaker races.

Note further that the process of preparing for war auto-

ically makes war inevitable. Each nation gears its economy to munitions production, and if any one of them lay were to cease war preparations it would collapse. Moreover, munitions deteriorate; aeroplanes, ships, and so get out of date. There comes a time when a certain nation is at the peak of its power, and knows that therefore it must go down in relation to its rivals. That is the moment to strike; and if you strike first, your bombing-machines are over the other fellow's munition factories before they are over yours.

A dreadful picture, Joe; but it is the truth about the world we live in. Is there time to save America from plunging into that cauldron of hate? Can we set an example of peaceful and orderly evolution? That I don't know; but my studies have convinced me that it is the system of competition for private profit which has turned the modern nations into war machines used by commercial interests, and I am doing what I can to make this truth plain to others.

The change to co-operation and public ownership is a colossal one, and it is to be expected that our present business leaders, each one, like you, desperately absorbed in competitive self-preservation, find it difficult to vision such a transformation. But it is no greater than many of the changes which have occurred in history. Once upon a time the divine right of kings was taken for granted by most of the world. If someone had told King Louis XVI that there would soon be a republic in France, and that the people would elect their representatives on an equal suffrage basis, the idea would have seemed to him more fantastic than any of my ideas can possibly seem to you.

What those who agree with me are trying to do in America represents in the field of industry exactly what

rows wider. We have repeated the old adage about three generations from shirt-sleeves to shirt-sleeves " and is, too, is a delusion. Our great families, the Astors, Duponts, Rockefellers, are dynasties just as much as were the Caesars, or in more recent times, the Bourbons and Hapsburgs. They perpetuate themselves, and they wield power such as the earlier dynasties never dreamed of.

Also, we have our dispossessed classes, as much and every bit as miserable as those which wrecked ancient Rome, or those which brought on the French revolution. There are in my home State tens of thousands of families who have been driven into exile from the "dust bowl." These people have travelled in broken-down cars and are camping in deserts and barren fields. They have only a few rags of canvas to cover them; they are penniless, homeless, friendless; many are starving outright or dying slowly of the diseases of malnutrition. There are no jobs for them anywhere, and no hope.

What does "Americanism" mean to people in such a position? What is life, liberty, and the pursuit of happiness? How can we talk of equality of opportunity for the children of such families—children who grow up with stunted and deformed bodies and with no schooling and no jobs? Do you not see, Joe, that we have in such conditions the basis of the same class struggles and civil wars which destroyed the Roman republic, turned it into an empire, and finally made it so rotten with corruption that it was powerless to defend itself against barbarian invaders?

game. That is what has been going on in America ever since our pioneer forefathers took the land from the Indians and started to produce goods and trade with one another. We now have one-fifth of our population entirely frozen out of the game, and if we wait for another smash-up, we will have two-fifths out, and maybe half. Naturally these losers are dissatisfied with the game; they say that the cards have been stacked—and you and I know that in many cases this was true. Now they threaten to overturn the board and start again.

It was 42 years ago, during the Bryan campaign of 1896, that I began thinking and asking questions about these matters. Ever since then I have made them the major concern of my life. I have read most of the books that promised to give new knowledge, and I do not think there is any plan before the public which I have not studied.

As a result, I state that I do not know any plan which can solve the problem of distributing wealth except public ownership, or at any rate such rigid public control that ownership would become a mere matter of form. If we are going to have a really planned economy, if we are going to have order in our industrial life, we may leave the private owner in possession of his stocks and titles, but we shall have to tell him what to produce and how much, and when and where to deliver his product; we shall tell him what to charge for it, and limit his profits to the point where he gets no more than he would if he were a high-salaried public administrator.

You, Joe, will think of an immediate objection to this. Under our present system of private ownership the stimulus to increase production and improve the goods is the desire of the private producer to make a bigger profit. If we limit

profits, we remove that stimulus. If the manufacturer is guaranteed a moderate profit and cannot get any more, he loses the impulse to increase the quantity and improve the quality of his product, and deterioration of both product and plant would inevitably result.

Quite true, Joe. So we have to replace the old profit motive with a new motive. The only possible one is the desire and demand of the consuming public to have more and better goods. In order to make that desire and demand effective, the consuming public has to act through the government, that is by political control. That is what I mean by the public-service motive, and by a system of industrial democracy. I do not say it will be easy to make democracy work in industry, any more than it has been easy to make it work in the political and governmental field. But I say that it has to be done if we are going to have a real civilization, because our industrial autocracy is breaking down, and is trying to save itself by Fascist despotism. It has destroyed political democracy in a great part of Europe, and is definitely set to destroy it everywhere throughout the world.

You will note, Joe, that I have confined my letters to economic questions, saying little or nothing about politics. There is now going on a fight for control of the Democratic party. If President Roosevelt is able to control the 1940 convention, the people's task will be to convert him to this programme. If he loses control, the people will invite him to come into a third party movement. If he supports a "conservative" democrat, the new party will make rapid strides without him. If the economic change for which I am calling is to be brought about by democratic means, there must be a people's party, with a plan based on full

production of goods, on economy of abundance instead of competition and resultant scarcity.

LETTER XVII

DEAR JOE,—

You will note that I have suggested a variety of economic measures in the course of these letters. One may travel to the same goal by different roads, and it is a question of finding out which road has the fewest obstructions in the way.

I have always done what I could to promote the co-operatives. I have urged the people to build such free associations and secure control of as much business as they can. But this method appears adapted only to retailing and the production of certain of the simpler kinds of goods. We cannot have co-operative railroads or telephones, steel or automobile plants—the big fellows have all these in their firm grasp. Co-operatives are highly developed in England, but have been powerless to prevent the growth of monopoly capitalism and the concentration of wealth. We have seen in Italy and Germany how co-operatives can be wiped out over night when the master-class is aroused to fear for its privileges.

I have more than once campaigned for the single tax, a tax on land values which would cut off a great deal of exploitation at the roots. I still believe that this method would be effective, and that its only weakness is the impossibility of explaining it to the people. They cannot understand that the term "land values" includes natural resources, a basic part of all the great monopolies. The little householder is told that the taxes on his lot will be

increased, and he cannot realize that this would be balanced by cancelling the tax on his improvements. As I write, a single tax measure is rejected by the people of California at the polls—the seventh time they have done it, and by a vote of five to one.

I have decided that the change will never come by any kind of tax. All taxes are unpopular; they are negative measures, reducing the people's spending power. Of course the poor are willing to tax the rich, so we have income and inheritance taxes; the old are willing to tax the young, so we have the Townsend Plan and the "Ham and Eggs" proposition. But nobody is willing to tax himself, and these proposals fail at the polls because so many of our people are still taxpayers.

On the other hand, borrowing is easy and popular; we all do it when we get into trouble, and our government is rushing along that path. We have a President with a genial disposition, who has always had money and enjoys spending it, and that is why the Democratic party has been winning thumping victories at the polls. I am sure that spending will go on and that anyone who opposes it is foredoomed to failure. Our government is not going to let too many people starve, for if we do they will take to rioting in the streets—as they were doing in Cleveland and other cities this year, before the President resumed his spending programme. If we should elect a Republican president in 1940, he would either have to go on spending, or else set to work deliberately to put through a Fascist programme—that is, order out the troops, put down the mobs with gas-bombs and machine-guns, effect a *coup d'état*, and never permit another election to take place in the United States.

dominating, and selfish, they can raise up a Hitler and lead the people into the paths of dictatorship and war ; or they can remember our American traditions and protect the institutions of self-government which our forefathers have handed down to us. They can display wisdom and love of justice, and can live in history as George Washington, Thomas Jefferson, and Benjamin Franklin live ; that is to say, as men who confronted a great emergency and rose to meet it.

Good will is not enough, of course ; we must have intelligence—and that is what is woefully lacking. As I write these words, our newspapers report the triumphant ending of long negotiations by the signing of a trade treaty with the British Empire. Hundreds of experts have been working for years, and the great document fills a volume ; it is to draw the two peoples closer, cement the ties—hands across the seas and all that. Both sides reduce their tariffs on each other's products, and it is figured that the goods exchanged may amount to \$2,000,000,000 a year.

What precisely is to happen ? Let us suppose that \$1,000 worth of American machinery is exchanged against \$1,000 worth of British woollen goods. Our machinery-makers get \$100 in profit, and perhaps 200 of their workers get a dollar each in additional wages ; at the same time our wool-growers and spinners lose \$100 in profits on goods which they might have sold, and 200 of their employees lose a dollar each in wages which they might have got. That is all, and it doesn't matter if you repeat the transaction a million times or ten million, there is no way that any person in the United States can make one dollar that somebody else in the United States doesn't lose a dollar. Uncle Sam hands John Bull a dollar, and John takes it in his right hand, says

thank you, then passes it into his left hand and hands it back to Uncle Sam, who also says thank you—and that is a way to promote friendship and restore prosperity. You know the story of the South Sea islanders who all got rich by taking in one another's washing?

This is what the accepted best brains of the two greatest nations of the world have thought up to save themselves in a crisis. This plan is the darling of our Secretary of State, the amiable, elderly Mr. Hull whom many of our conservatives hope to see as our next President. A blind man leading a blind people upon a path filled, not with ditches, but with abysses!

These abysses are called Nazism-Fascism; the vilest creed, the most hateful mess of delusions which has appeared on this earth in centuries. We see the whole of Central Europe crumbling beneath their brutal force—"the beast with the brains of an engineer," as I have called it. We go merrily on our way, certain that we are safe. "It can't happen here."

No, Joe, it won't! What will happen here is something entirely different; and after it has happened—after it is too late—we shall discover that it is exactly the same thing. Huey Long, shrewdest demagogue this country has so far produced, covered it in two sentences. "It will be easy to bring Fascism in America," said he. "All you have to say is that you are preventing Fascism."

American Fascism will not be reactionary—get that clearly in mind—on the contrary, it will be a terrifyingly radical movement. Remember that Hitler called his movement "National-Socialist," and promised to confiscate the property of the rich, break the great trusts, close the big department stores, and provide plenty to the little man.

American Fascism will call itself " American Democracy . . . National Patriots . . . People's Money Party " . . . something like that. " Ham and Eggs for Everybody " will do for a programme ; the promise to put the banks out of business and give plenty to all by the quick route of inflation. Behind the scenes the leaders will make a deal with Henry Ford, with Girdler, Wier, Dupont—and so have the money for shirts and boots, red fire and brass bands, bombs and revolvers with which to " put down the Reds."

And above all, the money for radio time ! Here we have 100 million people, perfectly trained to believe whatever they are told over the radio. Two or three weeks ago some actors told them that Martians had landed in New Jersey and were burning and killing—whereupon the women screamed and had hysterics, and the heroes and patriots rushed to grab their shotguns !

Such is my case, Joe, and for 35 years now I have been pleading for it. The task is a slow one, because the money and the powers of publicity are in the hands of the other side. As I said about one of our newspaper editors during the EPIC campaign : " It is hard to get any man to understand an argument when his living depends upon his not understanding it."

I have written you the truth as I see it. I have tried to be temperate and fair. Think it over, and if my thesis seems to you sound, do your part in helping to educate others to it. That is the only way new ideas can get circulated in our world of organized self-interest ; it has to be passed about by word of mouth, and in cheap pamphlets like this, from one earnest seeker after truth to the next.

This is the situation, Joe, and our only hope is to guide the spending into channels which will be productive. If President Roosevelt spends our money on swimming-pools and fancy public buildings, we will some day find ourselves with a public debt which we can no longer meet. But if he uses the money to purchase industrial plants and start them at mass production of useful goods, the people can provide themselves with what they need, and we can pay off our debts by furnishing goods to our creditors.

It is not as if I were asking you and the other millionaires of America to deprive yourselves of comfort and security. I do not even ask you to deprive yourself of power. For this social change will make enormous drafts upon our organizing skill and collective intelligence. There is no bigger job to be done in the world today than the job of planning industry and making it serve the public welfare. Every captain of industry, every administrator, every technician can find a place in that huge undertaking. You, Joe, can be busy for the rest of your life—or you can train your children for the job, and settle back and enjoy life, buying whatever goods you please with the money which the government will pay you.

If we have intelligence enough and conscience enough we can do all this without civil strife, without hatred and class war. Even Karl Marx, father of the class-struggle doctrine, admitted that it might be possible for Britain and the United States to achieve this social change without violence. It is up to the masters of our industrial and financial machinery. They have the power, the prestige and the habit of command. They have newspapers and radio, and can tell the people what they please, and for a while the people will believe them. The masters can be autocratic,

LETTER XVI

DEAR JOE,—

You tell me that you are interested in my ideas, but you think that my remedies are "drastic." You say that they come near to Socialism, and seem to feel that that settles it.

Well, Joe, a century or two ago there was a terrible word, "Republicanism." All you had to do was to accuse a man of it and the king would issue some kind of warrant and have him thrown into a dungeon. But that didn't keep the idea of self-government from spreading through Europe and America. Today you yourself live in a republic and find it quite agreeable. The name "Republican" is now worn as a badge of respectability by our monarchs of industry, our Duponts, Rockefellers, and Fords.

We have now a war going on in our society. Our democratic, or partially democratic, system of government is in conflict with the autocratic systems which prevail in our world of industry and finance. The people resent autocratic control of money and the way they get their livings, and try to use the government to restrict the business masters. The masters, on the other hand, seek control of the government in order to give themselves subsidies, tariffs, and all the other privileges. For the past 75 years autocracy has been having its way, and the result has been the developments which I have explained in these letters—the piling up of the debt-structure, and the concentrating of wealth and wealth-control in a few hands.

I suppose you play poker, Joe. I tried it a few times in my youth and learned about a game called "freezeout." Each player buys a certain number of chips at the start and when you have lost all your chips you are out of the

with his so-called "National-Socialist" party. The latter part of the name was a bait to the workers, and after Hitler got power he caused the murder of the men who took the "Socialist" name seriously. The Socialists and Communists, who were at furious odds with each other, were thrown into concentration camps together, and the rest of the workers were put at hard labour, the younger ones being drilled and armed to spread the Nazi gospel throughout the world.

The Third Reich, as it is called, was supposed to be preserved as a capitalists' paradise. But it is curious to observe how the forces of industrial evolution do not let themselves be diverted. Military necessity is compelling Hitler to do the very things he denounces the Communists for doing, and Germany is becoming a collectivist state—but one with every trace of democracy and freedom removed. The worker is a slave, working cruel hours for starvation wages. The business man makes what he is told to make and sells it at a price that suits the government; he is, as one of them said to me, "in a strait-jacket." As for the farmers, one of them is supposed to have said as follows: "I have two cows. The Communists wanted to confiscate them. The Socialists wanted to buy them. The Nazis let me keep them, but they take all the milk."

Mussolini raided first Ethiopia and then Spain, and now menaces the British life-line through the Mediterranean. Hitler has grabbed a part of Spain, and is preparing his march to the Black Sea. We have just seen Britain and France bow before him, and permit him to seize and destroy the democratic government of Czechoslovakia, ally of France. This blackest event of modern times caused bewilderment to the rest of the world. Were Britain and

the Mellon family. The new public administration will cut the price of aluminium to half the present monopoly price, and will begin production upon a scale never before dreamed.

At present the Alcoa workers are mostly idle ; the farmers' wives cannot buy aluminium pans because they cost too much. But after the change the Alcoa workers have full time at high wages, and so have money to buy the farmers' food, and so the farmers' wives have money to buy pans. You see, Joe, as we go on with this procedure we break that iron band which I pictured as riveted about the chest of the growing boy. Production is freed from the strangulation of the profit motive, and is now limited only by our technical resources, which have never been used to the full.

Is such money-printing inflationary ? Won't the railroad security owners and the Alcoa monopolists, hurrying to spend their money, force up prices ? The answer is that we shall speed up production and get the goods on the market. President Roosevelt, commanding the radio, can give one of his fireside chats, explaining what he means to do ; the people will see that production is going to increase, and so the fear of inflation will be removed, and they will not rush to purchase goods, but on the contrary will hold their money until prices are cut.

Do I expect the government to take over all the public services : railroads, telegraphs, telephones, power ? And the great basic industries such as steel, oil, coal and metal mining ? Do I propose to pay for them all in new 10,000 dollar bills ? And do I really argue that this would not be inflation ? I answer that if it were all done at once, it would surely be ; but if it is done by instalments, say 10,000,000,000 a year, it would not be. All we have to d

lot of other problems—only I want to save some time for remedies, Joe !

LETTER VII

DEAR JOE,—

You now understand my point of view that capital in the United States has been overproduced, and can no longer find profitable investment ; that the great mass of the people no longer get enough income to purchase the product of industry, and so cannot furnish enough profits. You understand also my belief that the condition is getting worse every hour, with more and more money crowding into the investment field. For 35 years I have called this process "the economic screw." It presses upon the masses, tighter and tighter ; it causes poverty, unemployment, disease, crime, insanity ; it causes panic and crises, trade rivalries, armaments, wars.

We can let this process go on automatically, like the operation of a screw ; in that event we will have insurrections, civil wars, and in the end either Bolshevism or Fascism. But we are not machines, Joe, we are human beings ; we have feelings, and we have powers of reasoning which we might put to use in an emergency. We might understand events and control them. Instead of letting the engine run wild and smash itself and us, we might take its levers and guide its processes, and produce happiness instead of misery and destruction.

I don't say that we will ; I don't know what is going to happen. But what I have been saying to myself all my life is this : I received an excellent education in the free public

